

# **FINANCE COMMITTEE**

#### MINUTES OF MEETING

November 15, 2005

The Finance Committee met on Friday, November 15, 2005 in the Lincoln Plaza Building, 400 P Street, in Sacramento, California.

The meeting was called to order at 2:00 p.m. and the following members were present:

Robert Carlson, Chair
Toni Symonds for Steve Westly, Vice Chair
James Zerio for Philip Angelides
George Diehr
Priya Mathur
Charles Valdes

Other Board Member present: Kurato Shimada

### **AGENDA ITEM 2 - APPROVAL OF SEPTEMBER 16, 2005 MEETING MINUTES**

The minutes were approved.

### AUDITS

### AGENDA ITEM 3 – DRAFT AUDITED FINANCIAL STATEMENTS

Larry Jensen, Chief Auditor, Office of Audit Services, and Russell Fong, Chief, Fiscal Services Division gave an overview of CalPERS' draft financial statements as audited by Deloitte & Touche, LLP, for the year ending June 30, 2005. Mr. Jensen reported that for the first time the management representation letter and legal representation letter from CalPERS was included so that the Finance Committee can understand management's and legal's representations in producing the financial statements. This report is considered draft until Deloitte & Touche performs a final review and signs the report. Then, the final report will be distributed to the Board of Administration.

Mr. Fong, Chief, Fiscal Services Division, presented a high-level overview of the draft financial report in four primary sections: the management discussion and analysis, the basic financial statements, the required supplemental schedules, and the supporting

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schedules. Mr. Fong noted that all reporting deadlines and schedules required by the State of California were met and reported that Deloitte & Touche expressed an unqualified opinion on the financial statements.

Mr. Jensen introduced Tim Stenvick and Sanggeetha Vijayakumar from Deloitte & Touche, LLP, who discussed the auditor's unqualified opinion and responded to a variety of Board Member questions. Mr. Stenvick discussed the auditor's required communication and distributed a draft letter to the Finance Committee members for their review.

Staff were directed to include in the transmittal letter a statement regarding the actuarial liability of the Judges 1 System and the methods of funding that will be sent to all of the government agencies that this report goes to. Staff were also directed to remove "to the appropriate entities" portion from the recommendation and list the actual entities that receive the report, and add in "approval of the letter of transmittal" in the recommendation.

On **MOTION** by Ms. Symonds, **SECONDED** and **CARRIED** the Finance Committee accepted and will recommend approval of Deloitte & Touche's draft audit of CalPERS' financial statements for the year ending June 30, 2005 to the Board of Administration.

# **COMPLIANCE**

# AGENDA ITEM 4 – COMPLIANCE OFFICER REPORT

Sherry Johnstone, Chief Compliance Officer, Office of Enterprise Compliance, presented a matrix which lists the various activities occurring within her division. The matrix provided a status update on the following as an informational item:

- Personnel Update Draft duty statement for the newly created position for the Compliance Area Manager for Health is be finalized and sent to Human Resources for advertisement and recruitment.
- Program Activities New Division website is being initiated with the launch date projected for December 2005. The website will include the current organizational chart, mission statements, links to other relevant websites, frequently asked questions, and previous articles on the creation of enterprise compliance at CalPERS. Access for Board Members will be requested once the website is launched.
- Reporting Significant Non-Compliance Issues
- Regulatory Review
- Compliance Area Manager Investments

As a result of a request from September's Finance Committee meeting, Ms. Johnstone presented a brief oral report of the Director's Guide to Sarbanes-Oxley Compliance. Committee Chair, Robert Carlson, stated that every member of the full Board should have a copy for their personal library. Additionally, he requested a cover letter indicating which chapters are pertinent to CalPERS' operation and which chapters should be read by Board members, be included when the book is distributed to the Board members. Once the book has been distributed, Ms. Johnstone was asked to report back to the Board regarding what the best practice is for CalPERS to follow based upon the book.

## **ADMINISTRATION**

# AGENDA ITEM 5 - ASSISTANT EXECUTIVE OFFICER REPORT

Curtis Howard provided an update to the Committee regarding CalPERS' disaster recovery preparedness activity. The hurricane in the Gulf Region prompted a reevaluation of CalPERS' recovery strategies. This year's natural disasters will provide additional issues that must be addressed in emergency recovery plans. CalPERS staff are studying the recent events and evaluating current recovery strategies with a new perspective that will result in even more robust business resumption strategies in the future. That information will be brought forward at future Committee meetings.

Mr. Howard also provided an update to the Committee regarding the move into the new R Street Complex. Staff have begun moving into the building, the stop light and crosswalk are operational, and the moving sidewalk in the underground tunnel is open and providing staff access to the building. The new parking garage will be open to new parkers on December 1, 2005.

### AGENDA ITEM 6 – PROPOSED AGENDA FOR DECEMBER 2005

The proposed December 2005 Agenda was approved as presented.

#### **PUBLIC COMMENT:**

None.

The meeting was adjourned at 11:15 a.m.

The next Finance Committee meeting will be held on Friday, December 9, 2005 in Sacramento, California.